

# **LOUISIANA RECOVERY AUTHORITY**

## **Economic Development CDBG Funding Resolution**

**April 19, 2006**

**Overview:** Resolution to request the Louisiana Recovery Authority to provide preliminary approval of the programs listed below (with additional detail attached) and directing the LRA staff to prepare an Action Plan amendment to use dollars provided through the Supplemental Appropriations to the Community Development Block Grant program to fund these programs at the approved levels and send them out for public comment. The programs and amounts for which preliminary approval is being requested include \$100 million for a Long Term Recovery Loan Program, and \$30 million for a Tourism Marketing Program, \$40 million for a Small Firm Recovery Loan and Grant Program, and \$10 million for a Technical Assistance to Small Firms Program.

### **EXECUTIVE SUMMARY**

**Long Term Recovery Loan Program** (\$100 million) - Louisiana's Bridge Loan Program has committed \$40 million in bridge loans to companies in the impacted areas. An additional \$70 million in bridge loans will be available in the next one to two months. Companies in the impacted areas now need longer term loans to sustain them through the next 10 years.

The proposed Long Term Recovery Loan Program would commit \$100 million to leverage approximately \$550,000,000 for loans to firms in the impacted areas. Loans will be available to firms that were in business for at least one year prior to storm, are located in and plan to stay in the impacted areas, and sustained a physical or economic loss due the hurricanes. Additional details on the program are attached.

**Tourism Marketing Program** (\$30 million) – The Louisiana Department of Culture, Recreation and Tourism has developed an aggressive advertising and marketing program to help bring the tourism industry back to life in Louisiana as expeditiously as possible. In 2004, the state of Louisiana hosted 24.6 million visitors, of which 76 percent were from outside of the state. Out-of-state tourists come to Louisiana as a result of marketing and promotion of Louisiana's many cultural and natural assets, family recreation destinations and various special events Louisiana hosts each year.

Those 24.6 million visitors spent \$9.9 billion in the state and contributed \$600 million in state and local tax revenues. The tourism and cultural industries combined sustain 260,000 jobs for Louisiana residents. Prior to the storms, tourism was the second largest industry in the state and the cultural economy was the fastest growing industry in the state. Negative images of affected areas portrayed by the media since these storms have resulted in a significant loss of interest in tourism. Currently, New Orleans is losing \$15.2 million per day, and Lake Charles is losing \$1.5 million per day in visitor spending. The damage to Louisiana's tourism sector has caused business and leisure travelers to choose other destinations. Louisiana will likely lose over \$1 billion in direct tourism in the 12 months following the hurricanes as a result of losses in New Orleans alone. The national tourism leaders who helped with the New York City rebound effort post-9/11 report that marketing is the key to rebuilding credibility with your customer base

that may now doubt your ability to host them. Additional information on the need and planned uses for the funds is attached.

In recognition of the damage done to the state as a place to do business, the Department of Culture, Recreation, & Tourism shall coordinate with Louisiana Economic Development to use a small portion of this pool for a coordinated business-focused campaign.

**Small Firm Recovery Loan & Grant Program** (\$40 million) - Small, locally owned firms in the regions impacted by hurricanes Katrina and Rita were seriously affected by the storms and continue to be impacted by the lower population and dearth of tourists in the regions. These firms provide many jobs and contribute to the character of the region in which are located.

The Small Firm Recovery Loan & Grant Program would be targeted to firms that are deemed to have chance to survive, contribute to the economy, and maintain and create jobs. Funds would support low-cost working capital loans on flexible terms and small grants to reimburse for tangible losses, and technical assistance to support the firms receiving the financial support, some of which may not qualify for bank and/or SBA loans. Firms assisted would be those expected to survive and pay back the funds if given an opportunity for a loan.

Louisiana plans to implement a program that is similar to that developed and used in New York. Louisiana will seek proposals from nonprofits and Community Development Financial Institutions that would be used as intermediaries to provide working capital loans on flexible terms and small grants to reimburse for tangible losses to small firms, including nonprofits, located in the impacted parishes.

**Technical Assistance to Small Firms Program** (\$10 million) -- Small, locally owned firms in the regions impacted by hurricanes Katrina and Rita were seriously affected by the storms and continue to be impacted by the lower population and dearth of tourists in the regions. These firms provide many jobs and contribute to the character of the region in which are located.

Funds for the “Technical Assistance to Small Firms” program would be used to contract (after an RFP process) with intermediaries to provide technical assistance to small firms, including nonprofits, that that have been adversely affected by the hurricanes and assistance to entrepreneurs or individuals seeking to start a new business that would be located in the impacted area.

## **RECOMMENDATION**

It is recommended that the following resolution be adopted:

**NOW, THEREFORE, BE IT RESOLVED**, that the Louisiana Recovery Authority Board is requested to endorse the use of dollars provided through the Supplemental Appropriations to the Community Development Block Grant program for up to \$100 million for a Long Term Recovery Loan Program, \$30 million for a Tourism Marketing Program, \$40 million for a Small Firm Recovery Loan and Grant Program, and \$10 million for a Technical Assistance to Small Firms Program.